

BEFORE THE ARKANSAS SECURITIES COMMISSIONER

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ARKANSAS SECURITIES DEPT.

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IN THE MATTER OF:  
VFG, LLC, f/k/a  
VOYAGER FINANCIAL GROUP, LLC, AND  
RICHARD YOUNKMAN

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CASE NO S-12-0015  
ORDER NO. S-12-0015-14-OR06

RESPONDENTS

**SECOND CEASE AND DESIST ORDER**

On March 14, 2014, the Staff of the Arkansas Securities Department ("Staff") filed its Second Request for a Cease and Desist Order ("Request"), stating that it has information and certain evidence that indicates VFG, LLC f/k/a Voyager Financial Group, LLC ("VFG") and Richard Younkman ("Younkman") have violated provisions of the Arkansas Securities Act ("Act"), Ark. Code Ann. § 23-42-101 through § 23-42-509, and the Rules of the Arkansas Securities Commissioner ("Rules"). The Arkansas Securities Commissioner ("Commissioner") has reviewed the Request, and based upon representations made therein, finds that:

**FINDINGS OF FACT**

The Staff's Request asserts the following representations of fact:

1. VFG, LLC f/k/a Voyager Financial Group, LLC ("VFG") is a Delaware limited liability company registered to do business in Arkansas. Until 2013 VFG's principal place of business was located at 801 Technology Drive, Suite F, Little Rock, Arkansas 72223. VFG is not registered with the Arkansas Securities Department ("Department") in any capacity.
2. Richard Younkman ("Younkman") is a resident of Dallas, Texas. Younkman is not registered with the Department in any capacity. In addition, Younkman has not been registered on CRD with any state securities administrator since 2009. Younkman was employed by VFG.
3. VFG issued, offered and sold investment contracts for income streams to investors.

4. VFG offered and sold income streams to investors through selling agents, like Younkman. VFG authored and provided selling agents with all the documents necessary to offer and sell these income streams to investors.

5. On or about April 20, 2012, and May 18, 2012, VFG and Younkman offered and sold income streams to a married couple residing in Horatio, Arkansas, Arkansas Resident 1 ("AR1"). AR1 invested approximately \$63,000 in April and approximately \$87,000 in May with VFG and Younkman. As part of the offer and sale of the income streams to AR1, VFG and Younkman provided a Closing Book to AR1.

6. The Closing Book included a document prepared by VFG and titled Purchase Application. On page one of the Purchase Application it states, "A purchase of Payments is only suitable for persons who have adequate financial means and who will not need immediate liquidity from this asset. There is no public market for this asset, and we cannot assure that one will develop, which means that it may be difficult for you to sell your asset." This statement omitted and failed to provide AR1 with full and complete disclosure of material facts, including, but not limited to, that the assignment of federal pensions or pension payments are prohibited by federal law, and the full extent of the illiquid nature of VFG's investments. Although VFG's statement uses some disclosure language that is similar to that found in many private placement securities offering documents, no suitability information was ever gathered from AR1 by VFG or Younkman. Since VFG included this language on its Purchase Application, VFG clearly understood that their investments were not suitable for every investor. In spite of this fact, VFG and Younkman never ask AR1 for their yearly income, liquid net worth, age, and investment experience. The Purchase Application is attached to the Request as "Exhibit 1".

7. On page two of the VFG Purchase Application it discusses individual life insurance policy coverage on the seller of the income stream. In addition, on the same page of the Purchase Application it discusses wrap insurance policy protection provided by Lloyd's of London for the first two years of AR1's investments. However, VFG omitted and failed to provide AR1 with full and complete disclosure of material facts, including, but not limited to, details on the insurance coverage or the payment of premiums for this insurance. Also, VFG did not disclose the risks that the seller's life insurance policy might not actually be purchased, premium payments might not be sent, the seller's insurance policy might lapse, or the seller's insurance policy might not be honored for some other reason. Further, VFG provided AR1 no details or proof that VFG ever had a wrap insurance policy with Lloyd's of London on the sellers of the income streams purchased by AR1. Finally, VFG omitted and failed to disclose the fact that a life insurance policy provides no protection against the seller unilaterally stopping or redirecting the income stream payments away from AR1. The Purchase Application is attached to the Request as "Exhibit 1".

8. The Closing Book also included a document prepared by VFG and titled Contract for Sale of Payments. On page two, paragraph number five of the Contract for Sale of Payments it states, "For the consideration described in the Sales Assistance Agreement, Seller shall transfer and sell to Buyer at Closing one hundred percent (100%) of Seller's right, title, and interest in and to the Payments". This is clearly a misstatement in view of federal laws prohibiting the assignment or transfer of federal pensions. Also, this section of VFG's Contract for Sale of Payments fails to adequately disclose to AR1 the risk that the sellers of income streams could at any time redirect the payments away from AR1. In the event that the sellers redirected these income stream payments, then AR1's only recourse would be a civil

suit against the sellers. The Contract for Sales of Payments is attached to the Request as "Exhibit 2".

9. On page three of the Contract for Sale of Payments it also states, 10.2. BOTH PARTIES INTEND THAT THE TRANSACTION(S) CONTEMPLATED BY THIS CONTRACT FOR SALE SHALL CONSTITUTE VALID SALE(S) OF PAYMENTS AND SHALL NOT CONSTITUTE IMPERMISSIBLE ASSIGNMENT(S), TRANSFER(S), OR ALIENATION OF BENEFITS BY SELLERS AS CONTEMPLATED BY APPLICABLE LAWS; HOWEVER, CERTAIN RISKS EXIST." While this document prepared by VFG mentions risks, VFG omitted and failed to provide AR1 with full and complete disclosure of any specific risks. In addition, this section misstates federal laws and court cases that clearly prohibit the assignment or transfer of federal pension payments sold by VFG and Younkman to AR1. Therefore, in spite of the language of this section of VFG's Contract for Sale of Payments, the sellers and not AR1 would maintain all rights and claims to these pension payments. The Contract for Sale of Payments is attached to the Request as "Exhibit 2".

10. On page three of the Contract for Sale of Payments it states, "10.3. BY EXECUTING THIS CONTRACT FOR SALE, BUYER AND SELLER ACKNOWLEDGE THAT BUYER AND SELLER ARE AWARE OF AND EXPRESSLY ACCEPT ALL RISKS ASSOCIATED WITH THE TRANSACTION(S) CONTEMPLATED HEREIN." While this section of the document prepared by VFG mentions risks, VFG omitted and failed to provide AR1 with full and complete disclosure of any specific risks. The Contract for Sales of Payments, is attached to the Request as "Exhibit 2".

11. Younkman did not provide any additional information to AR1 that rectified the misstatements and omissions in the VFG paperwork as detailed above. Specifically,

Younkman did not tell AR1 that their investments with VFG were illiquid. In addition, Younkman never told AR1 that the sellers could stop or redirect the pension payments at any time. Finally, Younkman never told AR1 that the transfer or assignment of federal pension payments was prohibited by federal law.

### **CONCLUSIONS OF LAW**

12. The income streams offered and sold by VFG and Younkman to AR1 were securities as defined by Ark. Code Ann. § 23-42-102(17)(A)(xi).

13. Pursuant to Ark. Code Ann. § 23-42-102(10), VFG is an issuer of securities.

14. Ark. Code Ann. § 23-42-301(a) states it is unlawful for any person to transact business in this state as an agent unless he or she is registered under the Act. Younkman violated Ark. Code Ann. § 23-42-301(a) when he offered and sold securities to AR1 as detailed in paragraph five.

15. Ark. Code Ann. § 23-42-301(b)(1) states it is unlawful for an issuer to employ an unregistered agent except a nonresident agent who is registered by any other state securities administrator and who effects transactions in this state exclusively with registered broker-dealers. VFG violated Ark. Code Ann. § 23-42-301(b)(1) when it employed Younkman to offer and sell securities to AR1 as detailed in paragraphs two through five.

16. Ark. Code Ann. § 23-42-507(2) states that it is unlawful for any person, in connection with the sale of any security, directly or indirectly, to make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it was made, not misleading. VFG and Younkman violated Ark. Code Ann. § 23-42-507(2) when they omitted to disclose material information

and they made material misstatements to AR1 as detailed in paragraphs number six through eleven.

17. Pursuant to Ark. Code Ann. § 23-42-209(a), whenever it appears to the Commissioner, upon sufficient grounds or evidence satisfactory to the Commissioner, that any person has engaged or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule or order under the Act, the Commissioner may summarily order the person to cease and desist from the act or practice. The conduct, acts, and practices of VFG and Younkman threaten immediate and irreparable public harm. Based on the Findings of Fact and Conclusions of Law, this Cease and Order is in the public interest and is appropriate pursuant to Ark. Code Ann. § 23-42-209.

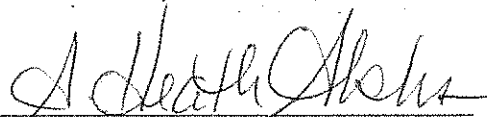
### **ORDER**

IT IS THEREFORE ORDERED that VFG and Younkman immediately CEASE AND DESIST from offering and/or selling securities in Arkansas in violation of Ark. Code Ann. § 23-42-301(a) and Ark. Code Ann. § 23-42-301(b)(1). VFG and Younkman are further ordered to immediately CEASE and DESIST from selling securities through the use of misstatements and/or omissions in violation of Ark. Code Ann. § 23-42-507(2).

A hearing on this Order shall be held if requested by VFG and/or Younkman in writing within thirty (30) days of the date of the entry of this Order, or if otherwise ordered by the Commissioner. Such request should be addressed to the Commissioner and submitted to the following address:

Arkansas Securities Commissioner  
201 East Markham, Suite 300  
Little Rock, Arkansas 72201

If no hearing is requested and none is ordered by the Commissioner, this Order will remain in effect until it is modified or vacated by the Commissioner. See Ark. Code Ann. § 23-42-209(a)(2).

A handwritten signature in dark ink, appearing to read "A. Heath Abshire", written over a horizontal line.

A. Heath Abshire  
Arkansas Securities Commissioner

03/18/2014  
Date